

# Raceland-Worthington Independent School District

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*Financial Statements and Other Supplemental Information*

*For the Year Ended June 30, 2005*

*Together With Independent Auditor's Report*

## Table of Contents

	<u>Page</u>
<b><i>Independent Auditor's Report</i></b> .....	1
<b><i>Management's Discussion and Analysis</i></b> .....	3
<b><i>Basic Financial Statements:</i></b>	
<i>Government-wide Financial Statements-</i>	
Statement of Net Assets .....	7
Statement of Activities .....	8
<i>Fund Financial Statements-</i>	
Balance Sheet-Governmental Funds.....	9
Reconciliation of the Balance Sheet—	
Governmental Funds to the Statement of Net Assets.....	10
Statement of Revenues, Expenditures and Changes in Fund Balances—	
Governmental Funds.....	11
Reconciliation of the Statement of Revenues, Expenditures and	
Changes in Fund Balances of Governmental Funds to the	
Statement of Activities.....	12
Statement of Net Assets—Proprietary Funds.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balance—	
Proprietary Funds .....	14
Statement of Cash Flows-Proprietary Funds.....	15
Statement of Fiduciary Net Assets-Fiduciary Funds .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balance—	
Budget and Actual—General Fund .....	17
Statement of Revenues, Expenditures, and Changes in Fund Balance—	
Budget and Actual—Special Revenue Fund .....	18
Notes to Financial Statements .....	19
<b><i>Supplemental Information:</i></b>	
Combining Balance Sheet—Non-Major Governmental Funds .....	30
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—	
Non-Major Governmental Funds.....	31
Combining Balance Sheet—Non-Major Capital Project Funds .....	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—	
Non-Major Capital Project Funds.....	33
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—	
Non-Major Debt Service Funds.....	34
Combining Balance Sheet—Fiduciary Funds .....	35
Statement of Changes in Assets and Liabilities—	
School Activity Funds .....	36
Statement of Changes in Assets and Liabilities—	
Raceland-Worthington High School Activity Funds .....	37
Schedule of Expenditures of Federal Awards .....	39

<i>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....</i>	<i>40</i>
<i>Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....</i>	<i>41</i>
<i>Schedule of Findings and Questioned Costs .....</i>	<i>42</i>
<i>Summary Schedule of Prior Audit Findings .....</i>	<i>43</i>
<i>Independent Auditor’s Transmittal Letter for Management Letter Points .....</i>	<i>44</i>
<i>Management Letter Points.....</i>	<i>45</i>
<i>Prior Year Management Letter Points .....</i>	<i>47</i>
<i>Corrective Action Plan.....</i>	<i>50</i>



## **Independent Auditor's Report**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Raceland-Worthington Independent School District  
Raceland, Kentucky

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Raceland-Worthington Independent School District (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Raceland-Worthington Independent School District management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract-Electronic Submission*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Raceland-Worthington Independent School District as of June 30, 2005 and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 10, 2005 on my consideration of Raceland-Worthington School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Raceland-Worthington Independent School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Raceland-Worthington Independent School District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

November 10, 2005

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2005**

As management of the Raceland-Worthington Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

***Financial Highlights***

- The beginning unrestricted cash balance for the District was \$1,755,500.
- A concerted effort was focused on purchasing in the areas of instructional supplies, food, and travel which resulted in changed management strategies aiming for continual improvement of student achievement and test scores.
- Following the completion of the District's long-range plan for facilities, there is a focus on investing in plant management with the age and size of our facilities reflective of this need. The Board authorized a \$3,195,000 revenue bond in fiscal year 2003 for the construction of the Cultural Arts/Athletic Center (Phase I) at the high school. The net proceeds from the bond issue were \$3,116,284. This project was ongoing through fiscal year 2005.
- The Board has also initiated a new major construction plan to issue bonds in fiscal year 2005 for the Auditorium (Phase II) of the Center. This project was approved and the board authorized a revenue bond in fiscal year 2005 in the amount of \$1,846,079.
- During fiscal year 2005, the District felt the impact of the declining economy including a decrease in state funding.
- The District remains committed to considering teacher salaries as an important part of the overall budget. The approximate percentage of the total budget dedicated to teacher's salaries and benefits was 67% in fiscal year 2005.
- The General Fund had \$6,237,760 in revenue, which primarily consisted of the state program (SEEK), property, and motor vehicle taxes. Excluding inter-fund transfers, there was \$4,843,310 in General Fund expenditures.
- Bonds are issued as the District renovates and constructs new facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt payments for fiscal year 2005 were \$265,441.
- The average daily attendance (ADA) from the previous year determines state funding for the current fiscal year. In fiscal year 2005 the District experienced a slight increase in total enrollment and ADA, which increases state funding in the next fiscal year. Efforts have been made by the Board to address the importance of keeping enrollment and ADA up to assure stability of future funding.
- The District continues to report fixed assets and debt on the financial statements in compliance with GASB 34 in fiscal year 2005.

***Overview of Financial Statements***

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)**  
**YEAR ENDED JUNE 30, 2005**

*Government-Wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a matter similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 7 and 8 of this report.

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operation. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 9 through 18 of this report.

*Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 29 of this report.

***Government-wide Financial Analysis***

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$5,067,536 as of June 30, 2005.

The largest portion of the Districts' net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)**  
**YEAR ENDED JUNE 30, 2005**

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

*Net Assets for the Period Ending June 30, 2005, as comparable to June 30, 2004*

	<u>2005</u>	<u>2004</u>
Current Assets	\$ 3,758,372	\$ 3,029,400
Noncurrent Assets	8,865,422	7,962,281
<i>Total Assets</i>	<u>\$ 12,623,794</u>	<u>\$ 10,991,681</u>
Current Liabilities	\$ 456,653	\$ 484,650
Noncurrent Liabilities	7,099,605	5,593,811
<i>Total Liabilities</i>	<u>\$ 7,556,258</u>	<u>\$ 6,078,461</u>
<b><i>Net Assets</i></b>		
Investment of capital assets (net of debt)	\$ 1,690,183	\$ 2,300,491
Restricted	2,200,515	1,028,894
Unreserved Fund Balance	1,176,838	1,583,835
<b><i>Total Net Assets</i></b>	<u>\$ 5,067,536</u>	<u>\$ 4,913,220</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

***Comments on Budget Comparisons***

- The District's total revenues for the fiscal year ended June 30, 2005, net of Interfund transfers, were \$6,237,760.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$55,726 more than budget or approximately 1.01%. This is mainly due to an increase in property tax collections and increase in interest income.
- The total cost of all programs and services was \$7,191,624 net of debt service and facility acquisition and construction.
- General fund budget expenditures to actual varied significantly (\$1,198,120 net contingency) due to the District's effort to be conservative as recommended by the Kentucky Department of Education. Therefore for fiscal year 2005 the use of carry over from previous years was held to cover only necessary expenditures. The remaining carry over monies are retained by the District to maintain financial security for the District until state funding is improved.



**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)**  
**YEAR ENDED JUNE 30, 2005**

The following table presents a comparative summary of governmental funds for the years June 30, 2005 and 2004.

	2005	2004
<b><i>Revenues:</i></b>		
Local revenue sources	1,066,172	1,093,529
State revenue sources	4,564,314	4,596,694
Employee benefits paid by State	985,654	936,243
Federal Revenue	815,115	622,272
Investments	49,297	38,405
<b><i>Total Revenues</i></b>	<b><u>7,480,552</u></b>	<b><u>7,287,143</u></b>
<b><i>Expenditures:</i></b>		
Instruction	4,627,675	4,014,805
Student Support Services	156,238	169,932
Instructional Support	463,566	449,947
District Administration	388,662	362,150
School Administration	412,976	488,446
Business Support	114,323	106,269
Plant Operations	549,939	446,772
Student Transportation	297,079	223,772
Food service administration	-	48,420
Facilities Acquisition and Construction	867,794	2,482,875
Community Support	62,823	60,378
Debt Service	614,127	499,453
<b><i>Total Expenditures</i></b>	<b><u>8,555,202</u></b>	<b><u>9,353,219</u></b>
<b><i>Revenues in Excess (Deficit) of Expenditures</i></b>	<b><u>\$ (1,074,650)</u></b>	<b><u>\$ (2,066,076)</u></b>

It should be noted that the deficits shown above are mainly due to inclusion of facility construction in expenditures. The construction project was financed through a \$3,195,000 bond issue, and thus, current revenues as listed above were not used to pay construction costs.

### ***General Fund Revenue***

The majority of revenue was derived from State SEEK Funds (55%) with local funding making up 17% of total revenue.

### ***Budgetary Implications***

In Kentucky, the public school fiscal year is July 1 through June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The district adopted a budget with \$128,407 in contingency (2 %). The beginning cash balance for beginning the fiscal year is \$1,764,225. Significant Board action that impacts the finances include 3% pay increase for all employees, and allotment of \$83,926 for facilities outside of bonded building and renovation projects.

Raceland-Worthington Independent Schools received a federal grant titled Carol M. White Physical Education Program. This grant was awarded in the amount of \$235,000. Its impact involved 2 elementary schools and one high school and their associated staff. The program/learning system must incorporate strategies, programs, instructional materials, assessments, and professional development grounded in scientifically based research. All program activities must align with the United States Department of Education's physical education goals.

Questions regarding this report should be directed to the Superintendent, John Stephens, at (606) 836-2144 or to Finance Officer, Mary Fields, at (606) 836-7218 or by mail at 600 Ram Boulevard, Raceland, Kentucky, 41169.

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2005**

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
<b><i>Assets:</i></b>			
Cash and Cash Equivalents	\$ 3,245,617	\$ 170,257	\$ 3,415,874
Accounts Receivable:			
Other	18,665	-	18,665
Intergovernmental — State	68,625	-	68,625
Intergovernmental — Federal	255,208	-	255,208
Inventory	-	2,321	2,321
Deferred Charges — Bond issue costs	53,144	-	53,144
Capital assets (net)	<u>8,779,807</u>	<u>30,150</u>	<u>8,809,957</u>
 <i>Total Assets</i>	 <u>\$ 12,421,066</u>	 <u>\$ 202,728</u>	 <u>\$ 12,623,794</u>
<b><i>Liabilities:</i></b>			
Accounts payable	945	-	945
Deferred revenue	5,347	-	5,347
Long-term Liabilities:			
Portion due or payable within one year:			
Bond obligations	420,000	-	420,000
Accrued interest	30,361	-	30,361
Portion due or payable after one year:			
Bond obligations	6,699,774	-	6,699,774
Accrued sick leave	<u>399,831</u>	<u>-</u>	<u>399,831</u>
 <i>Total Liabilities</i>	 <u>\$ 7,556,258</u>	 <u>\$ -</u>	 <u>\$ 7,556,258</u>
<b><i>Net Assets:</i></b>			
Invested in Capital Assets, Net of Related Debt	\$ 1,660,033	\$ 30,150	\$ 1,690,183
Restricted for:			
Capital Projects	2,082,065	-	2,082,065
Debt Service	1,270	-	1,270
Sick leave	117,180	-	117,180
Unrestricted	<u>1,004,260</u>	<u>172,578</u>	<u>1,176,838</u>
 <i>Total Net Assets</i>	 <u>\$ 4,864,808</u>	 <u>\$ 202,728</u>	 <u>\$ 5,067,536</u>

*The accompanying notes to financial statements are an integral part of this statement.*

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**JUNE 30, 2005**

<i>Functions/Programs</i>	<i>Expenses</i>	<b><i>Program Revenues</i></b>		
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
<b><i>Governmental Activities</i></b>				
Instruction	\$ 4,568,675	\$ 27,413	\$ 1,197,591	\$ 7,795
Support Services:				
Student	159,225	-	9,025	-
Instructional Staff	478,953	-	94,802	-
District Administration	391,115	-	-	-
School Administration	423,913	-	-	-
Business and Other Support Service	106,114	-	-	-
Plant Operation and Maintenance	742,379	-	-	-
Student Transportation	245,406	-	910	-
Central Office	397	-	-	-
Site acquisition and improvement	78	-	28,265	-
Facilities Acquisition and Construction	29,253	-	-	492,799
Community Services	63,733	-	54,234	-
Interest on Long-Term Debt	208,412	-	-	110,814
<i>Total Governmental Activities</i>	<u>7,417,653</u>	<u>27,413</u>	<u>1,384,827</u>	<u>611,408</u>
<b><i>Business-Type Activities</i></b>				
Food Service	393,667	150,868	239,566	-
<i>Total Business-Type Activities</i>	<u>393,667</u>	<u>150,868</u>	<u>239,566</u>	<u>-</u>
<b><i>Total School District</i></b>	<u>\$ 7,811,320</u>	<u>\$ 178,281</u>	<u>\$ 1,624,393</u>	<u>\$ 611,408</u>

***General Revenues***  
Property Taxes  
Motor Vehicle Taxes  
Investment Earnings  
State Aid Formula Grants  
Miscellaneous  
*Total General Revenues*

Change in Net Assets

*Net Assets — Beginning*  
*Net Assets — Ending*

***Net (Expense) Revenue and  
Changes in Net Assets***

<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>
\$ (3,335,876)	\$ -	\$ (3,335,876)
(150,200)	-	(150,200)
(384,151)	-	(384,151)
(391,115)	-	(391,115)
(423,913)	-	(423,913)
(106,114)	-	(106,114)
(742,379)	-	(742,379)
(244,496)	-	(244,496)
(397)	-	(397)
28,187	-	28,187
463,546	-	463,546
(9,499)	-	(9,499)
(97,598)	-	(97,598)
<u>(5,394,005)</u>	<u>-</u>	<u>(5,394,005)</u>
-	(3,233)	(3,233)
-	(3,233)	(3,233)
<u>\$ (5,394,005)</u>	<u>\$ (3,233)</u>	<u>\$ (5,397,238)</u>
893,177	-	893,177
140,547	-	140,547
49,297	2,899	52,196
4,381,388	-	4,381,388
290	-	290
<u>5,464,699</u>	<u>2,899</u>	<u>5,467,598</u>
70,694	(334)	70,360
4,794,114	203,062	4,997,176
<u>\$ 4,864,808</u>	<u>\$ 202,728</u>	<u>\$ 5,067,536</u>

*The accompanying notes to financial statements are an integral part of this statement.*

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

	<i><b>General Fund</b></i>	<i><b>Special Revenue Fund</b></i>	<i><b>Construction Fund</b></i>
<i><b>Assets and Resources:</b></i>			
Cash and cash equivalents	\$ 1,162,282	\$ -	\$ 2,082,065
Accounts receivable-			
Other	18,665	-	-
Intergovernmental-State	-	68,625	-
Intergovernmental-Federal	-	255,208	-
Due from other funds	<u>318,486</u>	<u>-</u>	<u>-</u>
 <i><b>Total Assets and Resources</b></i>	 <u><u>\$ 1,499,433</u></u>	 <u><u>\$ 323,833</u></u>	 <u><u>\$ 2,082,065</u></u>
 <i><b>Liabilities and Fund Balances:</b></i>			
Liabilities:			
Accounts payable	\$ 945	\$ -	\$ -
Due to other funds	-	318,486	-
Deferred revenues	<u>-</u>	<u>5,347</u>	<u>-</u>
 <i><b>Total Liabilities</b></i>	 <u>945</u>	 <u>323,833</u>	 <u>-</u>
 Fund Balances:			
Reserved for sick leave	117,180	-	-
Restricted	-	-	2,082,065
Unreserved	<u>1,381,308</u>	<u>-</u>	<u>-</u>
 <i><b>Total Fund Balances</b></i>	 <u>1,498,488</u>	 <u>-</u>	 <u>2,082,065</u>
 <i><b>Total Liabilities and Fund Balances</b></i>	 <u><u>\$ 1,499,433</u></u>	 <u><u>\$ 323,833</u></u>	 <u><u>\$ 2,082,065</u></u>

<i><b>Other Governmental Funds</b></i>	<i><b>Totals Governmental Funds</b></i>
\$ 1,270	\$ 3,245,617
-	18,665
-	68,625
-	255,208
-	318,486
<u>\$ 1,270</u>	<u>\$ 3,906,601</u>
\$ -	\$ 945
-	318,486
-	5,347
<u>-</u>	<u>324,778</u>
-	117,180
1,270	2,083,335
-	1,381,308
<u>1,270</u>	<u>3,581,823</u>
<u>\$ 1,270</u>	<u>\$ 3,906,601</u>

*The accompanying notes to financial statements are an integral part of this statement.*

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

<b><i>Total Fund Balances- Governmental Funds</i></b>	\$ 3,581,823
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets are not financial resources and therefore, are not reported in the governmental financial statements.	8,779,807
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Bond issuance costs reported as expenditures in the governmental funds financial statement are capitalized in the government-wide financial statements.	53,144
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Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in governmental fund financial statement because they are not currently due and payable.	<u>(7,549,966)</u>
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<b><i>Net Assets for Governmental Activities</i></b>	<b><u>\$ 4,864,808</u></b>
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*The accompanying notes to financial statements are an integral part of this statement.*

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<i><b>General Fund</b></i>	<i><b>Special Revenue Fund</b></i>
<i><b>Revenues:</b></i>		
From local sources:		
Property taxes	\$ 832,944	\$ -
Motor vehicle taxes	132,515	-
Tuition	27,413	-
Interest income	48,830	-
Other local revenue	290	4,745
Intergovernmental — state	4,381,388	564,967
Intergovernmental — indirect federal	-	815,115
<i>Total Revenues</i>	<u>5,423,380</u>	<u>1,384,827</u>
<i><b>Expenditures:</b></i>		
Current:		
Instruction	3,417,886	1,209,789
Support services:		
Student	147,213	9,025
Instructional staff	368,764	94,802
District administration	388,662	-
School administration	412,976	-
Business	114,323	-
Plant operation and maintenance	549,939	-
Student transportation	296,169	910
Food service operations	-	-
Community services	8,589	54,234
Site acquisition and improvement	90,078	28,265
Facilities, renovations/additions	-	-
Debt Service:		
Bonds paid	-	-
Bond interest	-	-
Bond issue costs	-	-
<i>Total Expenditures</i>	<u>5,794,599</u>	<u>1,397,025</u>
<i><b>Excess (Deficit) of Revenues Over Expenditures</b></i>	<u>(371,219)</u>	<u>(12,198)</u>
<i><b>Other Financing Sources (Uses):</b></i>		
Proceeds from sale of bonds	-	-
Discount on sale of bonds	-	-
Accrued interest on bonds	-	-
Operating transfers in	-	12,198
Operating transfers out	(12,198)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(12,198)</u>	<u>12,198</u>
<i><b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b></i>	(383,417)	-
<i><b>Fund Balance — Beginning of year</b></i>	<u>1,881,905</u>	<u>-</u>
<i><b>Fund Balance — End of year</b></i>	<u>\$ 1,498,488</u>	<u>\$ -</u>



<i>Construction Fund</i>	<i>Other Governmental Funds</i>	<i>Totals Governmental Funds</i>
\$ -	\$ 60,233	\$ 893,177
-	8,032	140,547
-	-	27,413
-	467	49,297
-	-	5,035
-	603,613	5,549,968
-	-	815,115
<u>-</u>	<u>672,345</u>	<u>7,480,552</u>
-	-	4,627,675
-	-	156,238
-	-	463,566
-	-	388,662
-	-	412,976
-	-	114,323
-	-	549,939
-	-	297,079
-	-	-
-	-	62,823
-	-	118,343
749,451	-	749,451
-	379,000	379,000
-	209,127	209,127
26,000	-	26,000
<u>775,451</u>	<u>588,127</u>	<u>8,555,202</u>
<u>(775,451)</u>	<u>84,218</u>	<u>(1,074,650)</u>
1,900,000	-	1,900,000
(33,774)	-	(33,774)
5,853	-	5,853
102,229	265,441	379,868
-	(367,670)	(379,868)
<u>1,974,308</u>	<u>(102,229)</u>	<u>1,872,079</u>
1,198,857	(18,011)	797,429
<u>883,208</u>	<u>19,281</u>	<u>2,784,394</u>
<u>\$ 2,082,065</u>	<u>\$ 1,270</u>	<u>\$ 3,581,823</u>

*The accompanying notes to financial statements are an integral part of this statement.*

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2005**

<b><i>Total Net Change in Fund Balances- Governmental Funds</i></b>	<b>\$</b>	<b>797,429</b>
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Amounts reported for governmental activities in the Statement of Activities  
Are different because:

Capital Outlays are reported as expenditures in this Fund Financial Statement because they use current financial resources, but they are presented as assets in the Statement of Activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed depreciation expense for the year.		796,635
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The proceeds for the issuance of bonds provide current financial resources and are reported in this Fund Financial Statement but they are presented as liabilities in the Statement of Net Assets.		(1,900,000)
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Bond payments are recognized as expenditures of current current financial resources in the Fund Financial Statement but are reductions of liabilities in the Statement of Net Assets.		379,000
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Generally, expenditures recognized in this Fund Financial Statement are limited to only those that use current financial resources, but expenses are recognized in the Statement of Activities when they are incurred.		(57,960)
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The governmental fund financial statements reflect bond issuance costs as expenditures and discounts on debt issuance as a component of other financing sources. The government-wide financial statements amortize these items over the life of the loan. The amount shown represents the difference between costs incurred and amortization taken in the current year.		55,590
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<b><i>Change in Net Assets of Governmental Activities</i></b>	<b>\$</b>	<b><u>70,694</u></b>
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*The accompanying notes to financial statements are an integral part of this statement.*

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**

**STATEMENT NET ASSETS**

**PROPRIETARY FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<i><b>Food Service Fund</b></i>
<i><b>Assets:</b></i>	
Current Assets:	
Cash and cash equivalents	\$ 170,257
Inventories	2,321
<i>Total current assets</i>	<u>172,578</u>
Noncurrent Assets:	
Furniture and equipment	188,409
Less: Accumulated depreciation	<u>(158,259)</u>
<i>Total noncurrent assets</i>	<u>30,150</u>
<i>Total assets</i>	<u>202,728</u>
<i><b>Liabilities:</b></i>	
Current Liabilities:	
Accounts payable	<u>-</u>
<i>Total current liabilities</i>	<u>-</u>
<i>Total liabilities</i>	<u>-</u>
<i><b>Net Assets:</b></i>	
Invested in capital assets	30,150
Unrestricted	<u>172,578</u>
<i>Total net assets</i>	<u><u>\$ 202,728</u></u>

*The accompanying notes to financial statements are an integral part of this statement.*

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<i><b>Food Service Fund</b></i>
<i><b>Operating Revenues</b></i>	
Lunchroom sales	\$ 150,868
<i>Total Operating Revenues</i>	<u>150,868</u>
<i><b>Operating Expenses</b></i>	
Salaries and wages	140,794
Employee benefits	64,157
Contract services	13,462
Materials and supplies	170,061
Depreciation	<u>5,193</u>
<i>Total Operating Expenses</i>	<u>393,667</u>
<i><b>Operating Loss</b></i>	<u>(242,799)</u>
<i><b>Non-Operating Revenues (Expenses)</b></i>	
Federal grants	157,265
Donated commodities	29,429
State grants	5,417
State paid benefits on behalf of district	47,455
Interest income	<u>2,899</u>
<i>Total Non-Operating Revenues</i>	<u>242,465</u>
<i><b>Net Loss</b></i>	(334)
<i><b>Net Assets — Beginning of year</b></i>	<u>203,062</u>
<i><b>Net Assets — End of year</b></i>	<u>\$ 202,728</u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<i><b>Food Service Fund</b></i>
<i><b>Cash Flows from Operating Activities:</b></i>	
Cash received from lunchroom sales	\$ 150,868
Cash payments to employees for services	(157,496)
Cash payments to suppliers for goods and services	<u>(153,377)</u>
<i>Net Cash Used by Operating Activities</i>	<u>(160,005)</u>
<i><b>Cash Flows from Noncapital Financing Activities:</b></i>	
Nonoperating grants received	<u>162,682</u>
<i>Net Cash from Noncapital Financing Activities</i>	<u>162,682</u>
<i><b>Cash Flows from Investing Activities:</b></i>	
Purchase of equipment	(4,082)
Interest income	<u>2,899</u>
<i>Net Cash Provided by Investing Activities</i>	<u>(1,183)</u>
<i><b>Net Increase in Cash and Cash Equivalents</b></i>	1,494
<i><b>Cash and Cash Equivalents — Beginning of year</b></i>	<u>168,763</u>
<i><b>Cash and Cash Equivalents — End of year</b></i>	<u><u>\$ 170,257</u></u>
<i><b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b></i>	
Operating income (loss)	\$ (242,799)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities-	
Depreciation	5,193
Commodities used	29,429
State paid benefits on behalf of district	47,455
Changes in assets and liabilities:	
Inventory	<u>717</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ (160,005)</u></u>
<i><b>Noncash Noncapital Financing Activities:</b></i>	
Donated commodities and on behalf payments	<u><u>\$ 76,884</u></u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<i><b>Agency Funds</b></i>
<i><b>Assets</b></i>	
Cash and cash equivalents	\$ 126,859
Accounts receivable	-
<i>Total Assets</i>	<u>\$ 126,859</u>
<i><b>Liabilities</b></i>	
Accounts payable	\$ 1,779
Due to students	125,080
<i>Total Liabilities</i>	<u>126,859</u>
<i><b>Net Assets</b></i>	<u><u>\$ -</u></u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL –GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Final Budget Variance</i>	
	<i>Original</i>	<i>Final</i>	<i>Actual Amounts</i>	<i>Positive (Negative)</i>
<b>Revenues:</b>				
From local sources:				
Taxes:				
Property	\$ 800,200	\$ 800,200	\$ 832,944	\$ 32,744
Motor vehicle	116,000	116,000	132,515	16,515
Tuition	-	32,040	27,413	(4,627)
Earnings on investments	30,000	30,000	48,830	18,830
Other local revenue	7,000	7,000	290	(6,710)
Intergovernmental — state	3,617,488	3,432,069	4,381,388	949,319
<b>Total Revenues</b>	<b>4,570,688</b>	<b>4,417,309</b>	<b>5,423,380</b>	<b>1,006,071</b>
<b>Expenditures:</b>				
Current:				
Instruction	2,913,840	3,088,807	3,417,886	(329,079)
Support services:				
Student	178,720	169,558	147,213	22,345
Instructional staff	294,830	360,168	368,764	(8,596)
District administration	888,622	596,337	388,662	207,675
School administration	458,658	466,621	412,976	53,645
Business	93,565	135,000	114,323	20,677
Plant operation and maintenance	839,404	955,957	549,939	406,018
Student transportation	307,310	307,310	296,169	11,141
Central office	5,070	-	-	-
Community services	-	-	8,589	(8,589)
Site acquisition and improvement	-	90,078	90,078	-
<b>Total Expenditures</b>	<b>5,980,019</b>	<b>6,169,836</b>	<b>5,794,599</b>	<b>375,237</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>(1,409,331)</b>	<b>(1,752,527)</b>	<b>(371,219)</b>	<b>1,381,308</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	(9,110)	(12,198)	(12,198)	-
<b>Total other Financing Sources (Uses)</b>	<b>(9,110)</b>	<b>(12,198)</b>	<b>(12,198)</b>	<b>-</b>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Activities</b>	<b>(1,418,441)</b>	<b>(1,764,725)</b>	<b>(383,417)</b>	<b>1,381,308</b>
<b>Fund Balance — Beginning of year</b>	<b>1,418,441</b>	<b>1,764,725</b>	<b>1,881,905</b>	<b>117,180</b>
<b>Fund Balance — End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,498,488</b>	<b>\$ 1,498,488</b>

*The accompanying notes to financial statements are an integral part of this statement.*

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<i><u>Budgeted Amounts</u></i>		<i><u>Actual</u></i>	<i><u>Final Budget</u></i>
	<i><u>Original</u></i>	<i><u>Final</u></i>	<i><u>Amounts</u></i>	<i><u>Positive</u></i>
				<i><u>(Negative)</u></i>
<b><i>Revenues:</i></b>				
From local sources:				
Earnings on investments	\$ 100	\$ -	\$ -	\$ -
Other local revenue	-	3,975	4,745	770
Intergovernmental — state	382,385	524,679	564,967	40,288
Intergovernmental — indirect federal	624,062	876,481	815,115	(61,366)
<b><i>Total Revenues</i></b>	<b><u>1,006,547</u></b>	<b><u>1,405,135</u></b>	<b><u>1,384,827</u></b>	<b><u>(20,308)</u></b>
<b><i>Expenditures:</i></b>				
Current:				
Instruction	887,340	1,216,729	1,209,789	6,940
Support services:				
Student	8,736	9,325	9,025	300
Instructional staff	69,370	104,997	94,802	10,195
School administrative support	-	570	-	570
Student transportation	3,746	3,663	910	2,753
Community services	46,465	53,784	54,234	(450)
Site acquisition and improvement	-	28,265	28,265	-
<b><i>Total Expenditures</i></b>	<b><u>1,015,657</u></b>	<b><u>1,417,333</u></b>	<b><u>1,397,025</u></b>	<b><u>20,308</u></b>
<b><i>Excess (Deficit) of Revenues over Expenditures</i></b>	<b><u>(9,110)</u></b>	<b><u>(12,198)</u></b>	<b><u>(12,198)</u></b>	<b><u>-</u></b>
<b><i>Other Financing Sources (Uses):</i></b>				
Operating transfers in	9,110	12,198	12,198	-
Operating transfers out	-	-	-	-
<b><i>Total other Financing Sources (Uses)</i></b>	<b><u>9,110</u></b>	<b><u>12,198</u></b>	<b><u>12,198</u></b>	<b><u>-</u></b>
<b><i>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Activities</i></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b><i>Fund Balance — Beginning of year</i></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b><i>Fund Balance — End of year</i></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

*The accompanying notes to financial statements are an integral part of this statement.*



# RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

### ***(1) Reporting Entity***

The Raceland-Worthington Independent Board of Education (Board), is a five-member group, is the basic level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Raceland-Worthington Independent School District (District). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial reporting purposes, includes all of the funds relevant to the operation of the Raceland-Worthington Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Organizations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing Board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

#### *Raceland-Worthington Independent School District Finance Corporation*

On January 2, 1990, the Raceland-Worthington Independent School District Board of Education resolved to authorize the establishment of the Raceland-Worthington Independent School District Finance Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Raceland-Worthington Independent School District Board of Education also comprise the Corporation's Board of Directors.

### ***(2) Summary of Significant Accounting Policies***

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Certain significant changes in the Statement include the following:

For the first time financial statements include-

- A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the District's activities, including capital assets.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes the financial statements). The District has elected to implement the general provisions of the Statement in 2004.

### *Basis of Presentation*

#### *District-Wide Financial Statements-*

The statement of net assets and statement of activities provide information about the District as a whole. These financials statements report information on the District's nonfiduciary activities with most of the interfund activities removed. The statements also distinguish between governmental and business-type activities. Governmental activities include programs supported primarily by taxes, state funding, grants, and other intergovernmental revenues. Business-type activities are financed in whole or part by fees charged for goods or services.

The statement of activities indicates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for goods or services provided by a given function and 2) grants and contributions that are restricted for meeting operational or capital requirements of a particular function. Taxes or other revenues not directly related to a particular function are reported as general revenues. The net costs by function or business-type activity are normally covered by general revenues.

The district-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing and the related cash flows.

#### *Fund Financial Statements-*

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounting that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The District's funds are reported in three major categories of governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or proprietary fund are at least ten percent of the corresponding total for all funds of that category type and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or proprietary fund are at least five percent of the corresponding total for all governmental and proprietary funds combined.

The District reports the General Fund, Special Revenue Fund, and the Construction Fund as major funds. All other funds are considered nonmajor and are thus, reported in aggregate as "other governmental funds". Outlined below are descriptions of all of the funds of the District:

#### *I. Governmental Funds*

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. The modified accrual basis of accounting recognizes revenues when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. Summarized below are descriptions of governmental funds utilized by the District:

- a. The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.
- b. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.
- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
  2. The Facility Support Program of Kentucky Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
  3. The School Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction expenditures.
- d. The Debt Service Funds are used to account for the accumulation of resources for and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

## II. *Proprietary Fund (Enterprise Fund)*

The Proprietary Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings. Fixed assets of the proprietary fund are recorded at cost less accumulated depreciation. Depreciation on fixed assets is recorded using the straight-line method over the assets estimated useful lives. Under this basis of accounting and measurement focus, the District applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB opinions, and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA).

## III. *Fiduciary Fund (Agency Fund)*

Fiduciary fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting.

The Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

## Budget

The District is required by state law to adopt annual budgets for the general fund and special revenue fund. Each budget is presented on the modified accrual basis of accounting which is consistent with the fund financial statement presentation with the exception of employee benefits paid by the state on behalf of the district. Such benefits are reported as expenditures in the

General Fund financial statements based on labor distribution, but are not included in the annual budget.

#### Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances is then provided for at year-end. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

#### Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

#### Inventories

The Proprietary Fund records inventory at cost, determined on the first-in, first-out basis, using the accrual basis of accounting.

#### Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

#### Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras, and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of any asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<i>Description</i>	<i>Governmental Activities Estimated Life</i>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

#### Revenues-Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is not recognized until there is an enforceable legal claim. This legal claim does not arise until the taxes become delinquent, which is the fiscal year after the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

#### Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

#### Long-term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

### Equity Classifications

#### *District-Wide Financial Statements*

Equity is classified as net assets and reported in three components:

- I. Invested in capital assets, net of related debt- Consists of capital assets net of accumulated depreciation and reduced by outstanding bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- II. Restricted net assets- Consists of net assets with constraints placed on the use either by external groups (creditors, grantors, or regulations) or law through constitutional provisions or enabling legislation.
- III. Unrestricted net assets- All other net assets that do not meet the definition of “invested” or “restricted” as outlined above.

#### *Fund Financial Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved. Proprietary fund equity is classified as described in the district-wide financial statements.

### **(3) Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>
<b><i>Governmental Activities</i></b>				
Land and Land Improvements	\$ 1,009,820	\$ 118,265	\$ -	\$ 1,128,085
Building and Building Improvements	6,620,689	3,215,957	-	9,836,646
Technology Equipment	837,538	89,171	3,500	923,209
Vehicles	506,482	76,435	-	582,917
General Equipment	401,475	105,046	560	505,961
Construction	2,577,592	(2,495,758)	-	81,834
<i>Totals at Historical Cost</i>	<u>11,953,596</u>	<u>1,109,116</u>	<u>4,060</u>	<u>13,058,652</u>
Less Accumulated Depreciation-				
Land Improvements	251,166	22,933	-	274,099
Building and Building Improvements	2,370,229	178,205	-	2,548,434
Technology Equipment	702,479	51,556	3,500	750,535
Vehicles	413,562	24,762	-	438,324
General Equipment	232,988	35,025	560	267,453
<i>Total Accumulated Depreciation</i>	<u>3,970,424</u>	<u>312,481</u>	<u>4,060</u>	<u>4,278,845</u>
<b><i>Governmental Activities- Capital Assets Net</i></b>	<u>\$ 7,983,172</u>	<u>\$ 796,635</u>	<u>\$ -</u>	<u>\$ 8,779,807</u>
<b><i>Business-Type Activities</i></b>				
Technology Equipment	\$ 2,312	\$ -	\$ -	\$ 2,312
General Equipment	182,015	4,082	-	186,097
<i>Total at Historical Cost</i>	<u>184,327</u>	<u>4,082</u>	<u>-</u>	<u>188,409</u>
Less Accumulated Depreciation-				
Technology Equipment	1,402	463	-	1,865
General Equipment	151,664	4,730	-	156,394
<i>Total Accumulated Depreciation</i>	<u>153,066</u>	<u>5,193</u>	<u>-</u>	<u>158,259</u>
<b><i>Business-Type Activities- Capital Assets Net</i></b>	<u>\$ 31,261</u>	<u>\$ (1,111)</u>	<u>\$ -</u>	<u>\$ 30,150</u>

Depreciation Expense is charged to Governmental Functions as follows:

Instructional	\$ 31,577
Student Support Services	8,572
Staff Support Services	22,450
District Administration	2,453
School Administration	10,937
Business Support Services	6,493
Plant Operation and Maintenance	203,930
Student Transportation	24,762
Central Office	397
Community Service Operations	910
<i>Total</i>	<u>\$ 312,481</u>

#### **(4) Accumulated Sick Leave Benefits**

Upon retirement from the school system employees will receive an amount equal to 30% of the value of accumulated sick leave. At June 30, 2005 the District followed the vesting method of calculation and the assumption that all vested employees with ten years of experience will retire from the District. Accordingly, a liability of \$399,831 is shown in the June 30, 2005 government-wide financial statements. The District has the option of funding up to 50% of the total amount accrued as a reservation of Fund Balance. At June 30, 2005, the District had reserved \$117,180 for sick leave payout.

#### **(5) Bond Debt and Lease Obligations**

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Raceland-Worthington Independent School District Finance Corporation aggregating \$9,044,000.

The original amounts of the issues, the issue dates and interest rates are summarized in the table below.

<i>Issue</i>	<i>Original Amount</i>	<i>Interest Rates</i>
1998	1,590,000	3.85-4.60%
1998B	1,980,000	3.25-4.00%
1999 KISTA	379,000	4.20-5.45%
2003	3,195,000	1.00-4.10%
2005	1,900,000	3.10-4.20%

The District, through local building fund taxes, the Support Education Excellence in Kentucky (SEEEK) Capital Outlay Fund, and the Facilities Support Program of Kentucky is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on the bonds issued by the Raceland-Worthington Independent School District Finance Corporation. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The 2005 and 2003 bond issues of \$1,900,000 and \$3,195,000 for construction of the High School Cultural Arts and Athletic Complex were sold at discounts. The discounts of \$33,774 and \$48,436, respectively, are being netted against bonds outstanding and amortized over the lives of the respective debt (20 years). Changes in bonds payable for the year ended June 30, 2005 are outlined below:

<i>Description</i>	<i>Balance 6/30/04</i>	<i>Issued</i>	<i>Retired/ Reductions</i>	<i>Balance 6/30/05</i>
General obligation bonds	\$ 5,676,000	\$ 1,900,000	\$ (379,000)	\$ 7,197,000
Less: unamortized discount on bond issues	(46,014)	(33,774)	2,562	(77,226)
<i>Totals</i>	<u>\$ 5,629,986</u>	<u>\$ 1,866,226</u>	<u>\$ (376,438)</u>	<u>\$ 7,119,774</u>

Less: principal payments due in one year (420,000)

*Long-term portion of debt outstanding at June 30, 2005* \$ 6,699,774

The School District has a participation agreement with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide a portion of the payment of principal and interest requirements on the bonds. The figure below sets forth the amounts to be paid by the District and the Commission for each year until maturity of all bond issues. The bonds may be call prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2005 for debt service, are exhibited in Figure 1.

**Figure 1**

*Minimum Obligations of Debt Service at June 30, 2005*

Year	KSFCC	KSFCC	Raceland	Raceland	Grand Totals	
	Portion of Principal	Portion of Interest	Portion of Principal	Portion of Interest	Principal	Interest
2006	\$ 244,430	\$ 123,777	\$ 175,570	\$ 138,337	\$ 420,000	\$ 262,114
2007	247,171	117,118	183,829	135,985	431,000	253,103
2008	261,795	108,461	190,205	129,427	452,000	237,888
2009	270,814	98,974	201,186	122,024	472,000	220,998
2010	277,083	88,882	205,917	114,156	483,000	203,038
2011	178,419	78,266	220,581	106,037	399,000	184,303
2012	127,046	71,997	152,954	96,042	280,000	168,039
2013	131,295	67,695	159,705	91,290	291,000	158,985
2014	135,786	63,119	161,214	86,190	297,000	149,309
2015	141,590	58,260	167,410	80,889	309,000	139,149
2016	145,723	53,007	174,277	75,072	320,000	128,079
2017	151,272	47,403	184,728	68,918	336,000	116,321
2018	158,189	41,392	189,811	62,176	348,000	103,568
2019	163,513	34,999	195,487	54,875	359,000	89,874
2020	140,214	28,198	204,786	47,410	345,000	75,608
2021	145,133	22,787	214,867	39,368	360,000	62,155
2022	151,052	17,059	223,948	30,839	375,000	47,898
2023	158,727	10,914	231,273	21,761	390,000	32,675
2024	127,821	5,176	237,179	12,354	365,000	17,530
2025	41,502	1,743	123,498	5,187	165,000	6,930
	<u>\$ 3,398,575</u>	<u>\$ 1,139,227</u>	<u>\$ 3,798,425</u>	<u>\$ 1,518,337</u>	<u>\$ 7,197,000</u>	<u>\$ 2,657,564</u>

**(6) Retirement Plans**

The Raceland-Worthington Independent School District contributes to the Teacher's Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions. KRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).



The Raceland-Worthington Independent School District's total payroll for the year ended June 30, 2005 was \$4,619,277. The payroll for employees covered under KTRS was \$3,781,130. Contributions to KTRS made on behalf of the District by the Commonwealth of Kentucky for the year ended June 30, 2005 were \$431,650. The District's contribution to KTRS for the year was \$30,387, which represents the employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing multiple-employer, public employers' retirement system. Funding for the Plan is provided through payroll withholdings of 5.00% and a District contribution of 8.48% of the employee's total compensation subject to contribution.

The contribution requirement for CERS for the year ended June 30, 2005, was \$112,983, which consisted of \$71,074 from the District and \$41,908 from the employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons between the plans and employers.

The funding status and progress, actuarially determined contribution requirements, and trend information may be found in the *Commonwealth of Kentucky Comprehensive Annual Report* for the year ended June 30, 2005, under "Notes to the General Purpose Financial Statements – Pension Plans", which is scheduled for release in December 2005.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

#### **(7) On-Behalf Payments**

The Commonwealth of Kentucky pays various employee benefits on behalf of the District. The benefits outlined below are included in General and Food Service Funds as state revenues and also allocated to expenditures of the funds based on labor distribution. Accordingly, these amounts are also included in the government-wide statement of activities.

Health and life insurance	\$ 554,004
Teachers Retirement (Note 6)	<u>431,650</u>
<i>Total Employee Fringe Benefits</i>	<u>\$ 985,654</u>

The State of Kentucky also paid Vocational Education expenses on behalf of the District in the amount of \$12,146. This amount is also included in the revenues and expenditures of the General Fund for the year ended June 30, 2005.

#### **(8) Commitments**

The District received approval from the Kentucky Department of Education for Phase II construction of the Cultural Arts and Athletic Complex on the High School campus. The project, which began construction in July 2005, has an estimated total construction cost of \$2,086,712. This District anticipates completion of the project in May, 2006.

#### **(9) Contingencies**

The District receives funding from federal, state, and local government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantors' review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future

refunds and unreimbursed disbursements, if any, are not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

**(10) Insurance and Related Activities**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated which include worker's compensation insurance.

**(11) Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association.

The district pays an annual premium to each fund for coverage. Contributions to the Workers Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(12) COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for potential loss.

**(13) Transfers of Funds**

The following transfers were made during the year:

Type	From	To	Purpose	Amount
Operating	General Fund	Special Revenue	Matching	\$ 12,198
Operating	FSPK	Construction	Capital Project	83,926
Operating	FSPK	Debt Service	Debt Service	176,526
Operating	SEEK	Debt Service	Debt Service	88,915
Operating	SEEK	Construction	Capital Project	18,303

**(14) Cash and Cash Equivalents**

At year-end, the carrying amount of the District's cash and cash equivalents was \$3,542,733 and the bank balance was \$4,094,799. Of the total cash balance, \$100,000 was covered by Federal depository insurance; and the remaining \$3,994,799 was covered by government securities and collateral deposits held by the safekeeping department of another bank in the District's name.

**(15) Restatement of Net Assets**

It was determined that the initial GASB 34 conversion in 2004 omitted a portion of the costs associated with the new athletic complex from construction work in progress. Accordingly, June 30, 2004 construction work in progress and net assets have been restated by \$83,956. Outlined below is the effect on net assets:

<i>Net Assets, June 30, 2004</i>	\$ 4,710,158
Plus: Costs omitted from construction work in progress	<u>83,956</u>
<i>Net Assets, June 30, 2004, as restated</i>	<u><u>\$ 4,794,114</u></u>

## Supplemental Information

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**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	<i><b>Capital Projects Funds</b></i>	<i><b>Debt Service Funds</b></i>	<i><b>Total Non-Major Governmental Funds</b></i>
<i><b>Assets and Resources:</b></i>			
Cash and cash equivalents	\$ -	\$ 1,270	\$ 1,270
<i><b>Total Assets</b></i>	<u>\$ -</u>	<u>\$ 1,270</u>	<u>\$ 1,270</u>
<i><b>Liabilities and Fund Balances:</b></i>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
<i><b>Total Liabilities</b></i>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved	<u>-</u>	<u>1,270</u>	<u>1,270</u>
<i><b>Total Fund Balance</b></i>	<u>-</u>	<u>1,270</u>	<u>1,270</u>
<i><b>Total Liabilities and Fund Balances</b></i>	<u>\$ -</u>	<u>\$ 1,270</u>	<u>\$ 1,270</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<i><b>Capital Projects Funds</b></i>	<i><b>Debt Service Funds</b></i>	<i><b>Total Non-Major Governmental Funds</b></i>
<b><i>Revenues:</i></b>			
From local sources:			
Taxes:			
Property	\$ 60,233	\$ -	\$ 60,233
Motor Vehicle	8,032	-	8,032
Earnings on Investments	175	292	467
Intergovernmental — State	<u>280,927</u>	<u>322,686</u>	<u>603,613</u>
 <i>Total Revenues</i>	 <u>349,367</u>	 <u>322,978</u>	 <u>672,345</u>
 <b><i>Expenditures:</i></b>			
Current:			
Facility renovation/additions	-	-	-
Debt service:			
Bond principal	-	379,000	379,000
Bond interest	<u>-</u>	<u>209,127</u>	<u>209,127</u>
 <i>Total Expenditures</i>	 <u>-</u>	 <u>588,127</u>	 <u>588,127</u>
 <b><i>Excess (Deficit) of Revenues Over Expenditures</i></b>	 349,367	 (265,149)	 84,218
 <b><i>Other Financing Sources (Uses):</i></b>			
Operating transfers in	-	265,441	265,441
Operating transfers out	<u>(367,670)</u>	<u>-</u>	<u>(367,670)</u>
 <i>Total Other Financing Sources (Uses)</i>	 <u>(367,670)</u>	 <u>265,441</u>	 <u>(102,229)</u>
 <b><i>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</i></b>	 (18,303)	 292	 (18,011)
 <i>Fund Balance, Beginning of Year</i>	 <u>18,303</u>	 <u>978</u>	 <u>19,281</u>
 <i>Fund Balance, End of Year</i>	 <u><u>\$ -</u></u>	 <u><u>\$ 1,270</u></u>	 <u><u>\$ 1,270</u></u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUND**  
**JUNE 30, 2005**

	<i><b>SEEK Capital Outlay Fund</b></i>	<i><b>FSPK Fund</b></i>	<i><b>Total Capital Projects Fund</b></i>
<i><b>Assets and Resources:</b></i>			
Cash and cash equivalents (Note 12)	\$ -	\$ -	\$ -
<i><b>Total Assets</b></i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i><b>Liabilities and Fund Balances:</b></i>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
<i><b>Total Liabilities</b></i>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved	<u>-</u>	<u>-</u>	<u>-</u>
<i><b>Total Fund Balances</b></i>	<u>-</u>	<u>-</u>	<u>-</u>
<i><b>Total Liabilities and Fund Balances</b></i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<i><b>SEEK Capital Outlay Fund</b></i>	<i><b>FSPK Fund</b></i>	<i><b>Total Capital Projects Fund</b></i>
<b><i>Revenues:</i></b>			
From local sources:			
Taxes:			
Property	\$ -	\$ 60,233	\$ 60,233
Motor Vehicle	-	8,032	8,032
Earnings on Investments	175	-	175
Intergovernmental — State	<u>88,740</u>	<u>192,187</u>	<u>280,927</u>
<i>Total Revenues</i>	<u>88,915</u>	<u>260,452</u>	<u>349,367</u>
<b><i>Expenditures:</i></b>			
Current:			
Facility renovation/additions	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<b><i>Excess (Deficit) of Revenues Over Expenditures</i></b>	88,915	260,452	349,367
<b><i>Other Financing Sources (Uses):</i></b>			
Operating transfers in	-	-	-
Operating transfers out	<u>(107,218)</u>	<u>(260,452)</u>	<u>(367,670)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(107,218)</u>	<u>(260,452)</u>	<u>(367,670)</u>
<b><i>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</i></b>	(18,303)	-	(18,303)
<i>Fund Balance, Beginning of Year</i>	<u>18,303</u>	<u>-</u>	<u>18,303</u>
<i>Fund Balance, End of Year</i>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b><i>1998 Bond Fund</i></b>	<b><i>1998B Bond Fund</i></b>	<b><i>2003 Bond Fund</i></b>	<b><i>KISTA Bond Fund</i></b>	<b><i>Totals</i></b>
<b><i>Revenues:</i></b>					
KY School Facilities Commission	\$ 110,532	\$ 57,001	\$ 124,482	\$ 30,671	\$ 322,686
Interest	152	79	61	-	292
<i>Total Revenues</i>	<u>110,684</u>	<u>57,080</u>	<u>124,543</u>	<u>30,671</u>	<u>322,978</u>
<b><i>Expenditures:</i></b>					
Bonds paid	205,000	70,000	90,000	14,000	379,000
Bond interest	30,650	57,788	104,018	16,671	209,127
<i>Total Expenditures</i>	<u>235,650</u>	<u>127,788</u>	<u>194,018</u>	<u>30,671</u>	<u>588,127</u>
<b><i>Deficiency of Revenues Under Expenditures</i></b>	(124,966)	(70,708)	(69,475)	-	(265,149)
<b><i>Other Financing Sources:</i></b>					
Operating transfers in	125,118	70,787	69,536	-	265,441
Operating transfers out	-	-	-	-	-
<i>Total Other Financing Sources</i>	<u>125,118</u>	<u>70,787</u>	<u>69,536</u>	<u>-</u>	<u>265,441</u>
<b><i>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</i></b>	152	79	61	-	292
<b><i>Fund Balance, Beginning of Year</i></b>	<u>108</u>	<u>401</u>	<u>469</u>	<u>-</u>	<u>978</u>
<b><i>Fund Balance, End of Year</i></b>	<u>\$ 260</u>	<u>\$ 480</u>	<u>\$ 530</u>	<u>\$ -</u>	<u>\$ 1,270</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**FIDUCIARY FUND TYPE – ACTIVITY FUNDS**

**JUNE 30, 2005**

	<u><i>High School</i></u>	<u><i>Worthington Elementary</i></u>	<u><i>Campbell Elementary</i></u>	<u><i>Totals</i></u>
<i><b>Assets</b></i>				
Cash and cash equivalents	\$ 109,813	\$ 11,618	\$ 5,428	\$ 126,859
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i><b>Total Assets</b></i>	<u>\$ 109,813</u>	<u>\$ 11,618</u>	<u>\$ 5,428</u>	<u>\$ 126,859</u>
<i><b>Liabilities</b></i>				
Accounts payable	\$ 1,779	\$ -	\$ -	\$ 1,779
Deposits held in custody for students	<u>108,034</u>	<u>11,618</u>	<u>5,428</u>	<u>125,080</u>
<i><b>Total Liabilities</b></i>	<u>109,813</u>	<u>11,618</u>	<u>5,428</u>	<u>126,859</u>
<i><b>Fund Balances</b></i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i><b>Total Liabilities and Fund Balances</b></i>	<u><u>\$ 109,813</u></u>	<u><u>\$ 11,618</u></u>	<u><u>\$ 5,428</u></u>	<u><u>\$ 126,859</u></u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**SCHOOL ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<i>Cash</i> <i>Balance</i> <i>June 30,</i> <i>2004</i>	<i>Receipts</i>	<i>Disbursements</i>	<i>Transfers</i>	<i>Cash</i> <i>Balance</i> <i>June 30,</i> <i>2005</i>	<i>Accounts</i> <i>Payable</i>	<i>Deposits</i> <i>Held In</i> <i>Custody</i> <i>June 30, 2005</i>
High School	\$ 131,746	\$ 244,153	\$ 266,086	\$ -	\$ 109,813	\$ (1,779)	\$ 108,034
Campbell	6,513	39,495	40,580	-	5,428	-	5,428
Worthington	12,198	22,260	22,840	-	11,618	-	11,618
	<u>\$ 150,457</u>	<u>\$ 305,908</u>	<u>\$ 329,506</u>	<u>\$ -</u>	<u>\$ 126,859</u>	<u>\$ (1,779)</u>	<u>\$ 125,080</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**HIGH SCHOOL ACTIVITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<i>Cash Balance June 30, 2004</i>	<i>Receipts</i>	<i>Disbursements</i>	<i>Transfers</i>	<i>Cash Balance June 30, 2005</i>	<i>Accounts Payable</i>	<i>Deposits Held In Custody June 30, 2005</i>
AP Account	\$ 328	\$ 290	\$ 1,036	\$ 660	\$ 242	\$ -	\$ 242
Art Account	78	299	366	-	11	-	11
Arts & Humanities	-	296	429	187	54	-	54
Athletic Allotment	-	6,550	2,902	(3,642)	6	-	6
Badge Company	520	317	240	(150)	447	-	447
Band	-	1,344	933	-	411	(9)	402
Baseball	2,092	1,645	3,048	-	689	(117)	572
Baseball Field	-	500	-	-	500	-	500
Baseball Fundraisers	2,763	3,685	5,538	3,121	4,031	-	4,031
Baseball Spring Trip	2,041	5,750	7,742	-	49	-	49
Basketball Concessions	481	14,306	4,565	(9,364)	858	-	858
Boys Basketball	18,951	23,045	27,486	2,677	17,187	-	17,187
B. Basketball	6,578	6,496	10,903	4,342	6,513	-	6,513
Calculators	789	3,052	3,498	656	999	-	999
Chorus	462	5,040	4,960	-	542	-	542
Close-Up	259	-	-	(259)	-	-	-
Computer Classes	460	318	417	-	361	-	361
Cross-Country	54	-	693	639	-	-	-
Drama Club	336	3,665	2,554	(100)	1,347	-	1,347
European Trip	-	790	-	-	790	-	790
8 <sup>th</sup> Grade Boys Basketball	5,299	1,097	2,446	-	3,950	-	3,950
8 <sup>th</sup> Grade Class	1,226	420	-	(746)	900	-	900
63 <sup>rd</sup> District	-	19,320	13,967	(5,353)	-	-	-
FBLA	77	4,598	4,305	-	370	-	370
FCA	60	-	-	-	60	-	60
FHA	5,401	11,328	12,632	(100)	3,997	(116)	3,881
Football	9,491	13,643	16,506	150	6,778	(1,364)	5,414
Football Coaches	-	1,296	1,221	-	75	-	75
Football Fundraiser	3,277	4,142	5,155	-	2,264	-	2,264
Freshman Class	1,090	478	-	136	1,704	-	1,704
Geometry Projects	228	-	-	(228)	-	-	-
Girls Basketball	898	6,958	8,365	3,142	2,633	-	2,633
Girls Basketball Fundraiser	273	7,487	8,312	4,342	3,790	-	3,790
Girls Golf	-	125	737	737	125	-	125
Girls Softball	1,160	1,573	3,789	1,100	44	-	44
Girls Track and Field	1	22	540	539	22	-	22
Girls Volleyball	20	1,629	2,844	1,195	-	-	-
Golf	-	125	1,339	1,340	126	-	126
Greenhouse	432	2,293	3,079	700	346	-	346
H.S. Faculty Flowers	142	507	299	-	350	-	350
Home Economics	145	161	292	-	14	-	14
Jr. Beta Club	2,133	366	330	(100)	2,069	-	2,069
Jr. Girls Basketball	735	971	1,420	-	286	-	286
Jr. High Academics	-	-	-	-	-	-	-
Jr. High Cheerleading	7	498	19	(180)	306	-	306
Jr. High Football	984	5,656	5,702	180	1,118	-	1,118
Jr. High Lost/Rental Books	970	308	-	-	1,278	-	1,278
Junior Class	1,735	1,626	1,667	(884)	810	-	810
Key Club	64	674	633	-	105	-	105

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)**  
**HIGH SCHOOL ACTIVITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<i>Cash Balance June 30, 2004</i>	<i>Receipts</i>	<i>Disbursements</i>	<i>Transfers</i>	<i>Cash Balance June 30, 2005</i>	<i>Accounts Payable</i>	<i>Deposits Held In Custody June 30, 2005</i>
Latin Honor Society	-	137	116	-	21	-	21
Library	91	1,293	1,225	-	159	-	159
Library Paper Account	38	-	894	864	8	-	8
Lockers	3,045	1,728	2,144	(864)	1,765	(173)	1,592
Lost/Rental Books	19,176	8,567	10,673	(144)	16,926	-	16,926
Miscellaneous	399	2,820	4,593	2,745	1,371	-	1,371
Newspaper	297	184	336	-	145	-	145
Pop Machine	5,172	8,166	4,272	(4,936)	4,130	-	4,130
Program Ads/Basketball	2,442	2,769	1,325	(2,442)	1,444	-	1,444
RWEA	1,118	510	711	-	917	-	917
Scholarship Fund	1,000	-	1,000	-	-	-	-
School Post Office	102	-	49	-	53	-	53
Senior Class	2,582	2,363	3,596	616	1,965	-	1,965
Senior Class Trip	696	2,537	2,534	-	699	-	699
Seventh Grade Class	480	320	-	(480)	320	-	320
Softball Fundraisers	3,286	3,013	4,695	-	1,604	-	1,604
Sophomore Class	851	891	621	239	1,360	-	1,360
Spanish	170	869	545	14	508	-	508
Spanish Club	14	-	-	(14)	-	-	-
Spanish Honor Society	743	1,563	2,088	-	218	-	218
Speech Team	-	100	-	-	100	-	100
Sr. Beta Club	393	3,803	3,583	(170)	443	-	443
Student Council	624	-	-	(78)	546	-	546
Technical Student	2,691	1,436	2,544	-	1,583	-	1,583
Technology Education	1,096	3,327	3,338	-	1,085	-	1,085
Tennis	12	1,668	2,171	788	297	-	297
Track & Field	38	-	440	435	33	-	33
Track & Field Fundraiser	71	-	-	(71)	-	-	-
Travel Club	250	-	-	-	250	-	250
Varsity Cheerleading	1,662	7,881	8,816	(150)	577	-	577
Wider Horizons	2,222	-	-	(528)	1,694	-	1,694
Workbooks	724	384	452	-	656	-	656
Y Club	255	8,386	7,910	(561)	170	-	170
Yearbook	7,966	14,749	22,506	-	209	-	209
	<u>\$ 131,746</u>	<u>\$ 244,153</u>	<u>\$ 266,086</u>	<u>\$ -</u>	<u>\$ 109,813</u>	<u>\$ (1,779)</u>	<u>\$ 108,034</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

<i><b>Federal Grantor/Pass Through Grant/ Program Title</b></i>	<i><b>Federal CFDA Number</b></i>	<i><b>Pass Through Grantor Number</b></i>	<i><b>Expenditures</b></i>
<i><b>U.S. Department of Education</b></i>			
Direct Program-			
Carol M. White Pep Grant	84.215	N/A	\$ 174,471
Passed through Kentucky Department of Education-			
Title I	84.010	351-05-01	135,456
Title I — Migrant Education	84.011	352-05-02	1,582
Title I—School Improvement	84.010	351-05-11	23,368
IDEA, Part B	84.027	581-05-02	148,474
Carl Perkins Vocational Education — Carryover	84.048	51-540	318
Carl Perkins Vocational Education	84.048	462-05-32	7,346
IDEA, Early Childhood	84.173	587-05-02	3,404
Title IV Safe & Drug Free Schools	84.186	590-05-02	5,030
Even Start Family Literacy	84.213	588-05-02	78,121
Title VI Innovative Strategies	84.298	533-05-02	3,995
Title II-D Technology Literacy Challenge	84.318	736-05-02	3,678
Title II — A Improving Teacher Quality	84.367	710-05-02	44,706
Reading First	84.357	522-04-02	170,000
Passed through Kentucky Department of Juvenile Justice			
Title I	84.013	N/A	15,166
<i>Total U.S. Department of Education</i>			<u>815,115</u>
<i><b>U.S. Department of Agriculture</b></i>			
Passed through Kentucky Department of Education			
National School Lunch Program	10.555	575-04-02	23,382
National School Lunch Program	10.555	575-05-02	101,022
National School Breakfast Program	10.553	576-04-05	6,001
National School Breakfast Program	10.553	576-05-05	26,860
Passed through Kentucky Department of Agriculture			
Commodities Program	10.550	N/A	29,429
<i>Total U.S. Department of Agriculture</i>			<u>186,694</u>
<i>Total Expenditure of Federal Awards</i>			<u>\$ 1,001,809</u>

**Note A: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Raceland-Worthington Independent School District and is presented on the accrual basis of accounting.

**Note B: Food Distribution**

Nonmonetary assistance is reported in this schedule at fair market value of commodities received and disbursed.

Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements  
Performed in Accordance with  
*Government Auditing Standards*

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Raceland-Worthington Independent School District  
Raceland, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Raceland-Worthington Independent School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued my report thereon dated November 10, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements*, *Appendix II to the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract-Electronic Submissions*.

#### **Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that we have reported to management of Raceland-Worthington Independent School District in a separate letter dated November 10, 2005.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of noncompliance with specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract - State Audit Requirements*.

This report is intended solely for the information and use of the Board and management of the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

November 10, 2005



Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133

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Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Raceland-Worthington Independent School District  
Raceland, Kentucky

### **Compliance**

I have audited the compliance of Raceland-Worthington Independent School District (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Raceland-Worthington Independent School District's compliance with those requirements.

In my opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected with in a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the Board and management of the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 10, 2005

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Raceland-Worthington Independent School District were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs of the District expresses an unqualified opinion on all major federal award programs.
6. All audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule
7. The programs tested as major programs included:
  - Child Nutrition Cluster, CFDA Nos. 10.555 and 10.553
  - Read First Grant, CFDA No. 84.357
  - Carol M. White Pep Grant, CFDA No. 84.215
8. The dollar threshold used to distinguish Type A and Type B programs, was \$300,000.
9. The auditee did not qualify as a low-risk auditee under OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*.

**B. Findings-Financial Statements Audit**

Reportable Conditions- None

**C. Findings and Questioned Costs-Major Federal Award Programs Audit**

None

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

There were no prior year audit findings related to federal awards for the year ended June 30, 2004.

## Management Letter

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Raceland-Worthington Independent School District  
Raceland, Kentucky

In planning and performing my audit of the financial statements of Raceland-Worthington Independent School District (the District) for the year ended June 30, 2005, I considered the District's internal controls over financial reporting to determine my auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on internal controls over financial reporting.

However, during the audit, I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated November 10, 2005, on the basic financial statements of the District.

I will review the status of these comments during my next audit engagement. I have already discussed these comments and suggestions with various District personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

November 10, 2005

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT LETTER POINTS**  
**JUNE 30, 2005**

***2005-01 Fixed Assets***

The District began processing fixed asset purchases through the computerized fixed asset system in 2005. Therefore, fixed asset purchases were to be flagged and properly coded at the purchase order stage for capitalization into the fixed asset system. Also, fixed assets purchased were to be delivered to the Central Office to be tagged before being placed in service. The fixed asset clerk would then capitalize fixed assets based on invoice information. Given the fixed asset system has now been fully implemented, management should consider developing detailed office procedures and standardized forms to better facilitate daily operations. Such procedures and documents should provide better controls over fixed assets as well provide more accurate and consistent fixed asset records. Outlined below are specific recommendations relating to the fixed asset process.

- It was learned that the numerical sequence of asset tags issued during the year was not tracked. Also, gaps in tag sequences were noted on the fixed asset system reports. Upon further investigation, it was determined that tags were issued and applied to assets, but such assets had not been capitalized in the fixed asset computer system. While the majority of the assets affixed with the “missing” tags have since been located and capitalized during the audit process, it is imperative to develop specific procedures and utilize standardized forms to maintain proper controls over tags issued and assets purchased. Such procedures will ensure that all assets meeting capitalization thresholds are timely recorded in the fixed asset system.
- While reviewing property expenditure accounts, several assets were found that met the capitalization thresholds, but had not been input into the fixed asset system and accordingly, had not been tagged. While the purchase order system should automatically flag purchases coded to property expenditure accounts, the fixed asset clerk should consider periodically reviewing year-to-date budget reports to ensure that the system is properly transferring all such purchases into the fixed asset working file.
- Several instances were noted where assets were capitalized to departments that did not correspond to the departments charged when purchased. Ideally, efforts should be made to ensure that expenditure departments correspond with fixed asset department assignments. Careful attention should be given to department assignments since depreciation expense will be charged to the assigned department over the life of the asset.
- Inconsistencies were noted in the costs used to capitalize fixed assets. Specifically, while some fixed asset acquisition costs appeared to be clerical errors, other items capitalized omitted freight and installation charges which should be capitalized as part of the acquisition cost of the asset. The Finance Officer should consider developing a quick reference guide for the fixed asset clerk to follow in determining costs allowable for capitalization purposes.
- Occasionally, large numbers of fixed assets are processed as one line item on the purchase order. This results in the purchase order system transferring one very large priced item into the fixed asset work file. The fixed asset clerk then must manually correct the data by inputting individual assets and related prices. Due to the manual process, some assets are capitalized at the wrong price while other assets are erroneously omitted during the input process. The Finance Officer should research to find the most efficient process to use to input purchase orders for fixed assets. Inputting data on separate line items may require more time preparing purchase orders, but may also provide the District with more complete and accurate information for use in the fixed asset system.
- It was noted that a school activity account purchased a copier during the year. The Finance Officer should consider developing specific policies and procedures for handling donated assets.

- The District did not consistently use forms recommended to document and track fixed asset purchases and disposals during the year. The District should consider utilizing these forms or customizing them to better meet the district's daily operational needs. Such forms will provide a better documentation of fixed asset activity.

#### ***2005-02 Account Coding Changes***

During the test of disbursements a couple of instances were noted where general ledger account codings were changed after the purchase orders and checks were issued. However, such changes were not noted on the cancelled invoice packet. Efforts should be made to note coding changes on invoice packets. The Finance Officer should initial the change to indicate approval.

#### ***2005-03 Employee Time Sheets***

Currently, the District employs individuals that work on various grant projects during the year. However, employee timesheets only indicate days worked. Ideally, employees should record the time spent working on individual grants to provide better documentation for salaries charged to grant programs.

#### ***2005-04 School Activity Disbursements***

Two invoices chosen during the test of disbursements at Raceland-Worthington High School had no signed receiving report or packing slip to document that items invoiced had been received by the school. Also, an instance was noted during the test of disbursements at Campbell Elementary where the standard invoice was not signed by the vendor. Efforts should be made to obtain all proper documentation before checks are issued.

#### ***2005-05 School Activity Receipts***

It appeared that all schools better utilized multiple receipt forms during the year. However, many of such forms were incomplete. Several instances were noted where such forms were not dated by teachers or the dates were altered. Also, based on check copies attached to receipt forms, it appears that teachers may be holding money in their classrooms for an extended period of time before it is submitted to the bookkeeper. *In Accordance with the Accounting Procedures for Kentucky School Activity Funds* (Red Book), teachers/sponsors must consistently utilize multiple receipt forms or pre-numbered receipts when collecting money. These receipt forms must then be provided to the school secretary in a timely fashion to properly document cash receipts collected from students and to safeguard cash.



**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER POINTS**

**JUNE 30, 2005**

*04-01 Purchase Orders*

Condition: Two instances were noted where the dollar amounts of items purchased were in excess of the approved purchase orders. Additionally, in such instances, the items purchased did not correspond with the items listed on the approved purchase requests and purchase orders. According to management, a staff member verbally received permission from the Finance Officer to purchase the additional items.

Current Status: The Finance Officer now dates and notes verbal approvals on the face of the purchase order. Also, the Finance Officer discourages verbal requests to change purchase orders. Such changes are only approved in extreme circumstances.

*04-02 Standard Check Register Reports*

Condition: Detailed check registers indicating general ledger account codes were not generated for two accounts payable check runs selected for testing.

Current Status: The accounts payable clerk now reviews and verifies that all reports have been printed in the correct format before journals are posted.

*04-03 Invoice Cancellation*

Condition: The District's invoice cancellation procedures dictate that all invoices are to be stamped "paid" with a copy of the check attached to the invoice packet. However, several instances were noted where applicable sections of the accounts payable check registers were attached to invoice packets in lieu of check copies. It was learned that the check runs were purged from the check generating system before the check copies were printed.

Current Status: The clerks responsible for generating checks now also verify that all check copies have been printed.

*04-04 State Payroll Tax Reports*

Condition: While reconciling general ledger payroll accounts to federal and state payroll tax reporting forms, a few discrepancies were noted on the Kentucky income tax withholding report stubs. Specifically, it appears that gross wages as reported to the State were understated by \$4,692. Also, income tax withholdings reported were understated by \$98. However, checks were remitted to the State for the proper withholding amounts. It appears the above mentioned differences noted on the tax forms were due to clerical errors or oversights in manually accumulating data.

Current Status: The payroll clerk now retains copies of the actual forms filed with federal and state agencies. Also, all supporting documentation used to prepare the forms is retained on file with the forms.

*04-05 Payroll General Ledger Account Codes*

Condition: While reconciling payroll eligible for KTRS and CERS, several instances were noted where Classified employees were coded to general ledger accounts assigned to Certified personnel. It should be noted however, that it appeared all such employees were reported properly for retirement purposes.

Current Status: The Finance Officer has expanded her review of payroll budget reports to include all payroll codes.

#### *04-06 Sick Leave Accruals*

Condition: An instance was noted in the test of sick leave liability where an employee's absenteeism report was duplicated for two dates with each report indicating a different type of leave. Additionally, the duplicate report was not signed by the employee. While the employee's time sheet and corresponding leave accruals did not duplicate these days, we still could not determine which type of leave the employee intended to take. Also, discrepancies were noted where year-end accruals did not agree to copies of employees year-end pay stubs. It was learned that sick and vacation days indicated on check stubs will include all activity keyed as of the date generated. Therefore, if check copies are printed on a date following the original check run, all check information will be correct, but all leave information will reflect any data input into the system as of the print date.

Current Status: The payroll clerk now makes greater efforts to compare the type of leave taken per employee leave request/absentee forms to type of leave indicated on employee time sheets. Also, the clerk now prints the District's copies of checks and stubs before additional leave information is updated in the payroll system.

#### *04-07 Fixed Asset Procedures*

Condition: During the testing of disbursements it was noted that many of the computer related purchases were "verified as received" by the accounts payable clerk making verbal inquiries of the technology director. Also, such purchases did not utilize standard forms to document information needed for capitalization such as PO number, tag number, serial number, cost, class code, department code, location.

Also, the District currently codes all capital purchases along with purchases not meeting current capitalization thresholds to the same general ledger expenditure accounts.

Current Status: The Finance Officer established fixed asset codes separate from other codes to facilitate the reconciling process. However, formalized procedures and standardized forms were not utilized in 2005.

#### *04-08 Accounting for Fundraising Activities*

Condition: Campbell Elementary received approval to hold a fundraising activity, the proceeds of which were to go toward the purchase of software, technology equipment, and to support the accelerated reader and math programs. However, all proceeds were deposited into the school's "miscellaneous" account, which is used for all general disbursements of the school. Since general and fundraising activities were commingled, it was difficult to determine which disbursements were made from the fundraiser, thus making it impossible to determine the exact amount of fundraising dollars expended during the fiscal year.

Current Status: The schools bookkeepers now create separate accounts for fundraising activities.

#### *04-09 Held Invoices*

Condition: During the audit it was found that Campbell Elementary held invoices due to an office supply vendor for March, April, and May 2004 until June 2004. According to the school secretary, due to low funds the invoices were held for payment until more funds became available.

Current Status: Principals were advised to monitor budgets more closely and to also seek other methods of funds (i.e. pop machine revenues) to pay invoices promptly. Also, the clerk assigned to "audit" bookkeepers each month now reviews the open invoice files to ensure all invoices are current.

#### *04-10 Invoice Overpayment*

- Condition: One instance was noted where Campbell Elementary overpaid a vendor. Specifically, the vendor gave the school credit on the invoice for a deposit previously paid to arrive at the net amount due. However, the school paid the gross amount due, resulting in a fifty dollar overpayment.
- Current Status: The Finance Officer added an item to the checklist used by the clerk assigned to “audit” bookkeepers to check samples of invoices to ensure that amount paid was clerically accurate and that packing slips and purchase orders were in agreement with quantities and amounts billed.

#### *04-11 Bank Deposits*

- Condition: While testing June 2004 receipts at Campbell Elementary, it was noted that numerous deposits were made in the last half of the month for cash received from teachers on behalf of their students for t-shirt and candy purchases. It also appeared the “date submitted” was altered on several of the multiple receipt forms.
- Current Status: The Finance Officer met with Principals to stress importance of monitoring teachers to ensure money collected is submitted to the bookkeeper daily. Also, they were advised to monitor bookkeepers to ensure deposits are made daily.

#### *04-12 Invoice Quantities*

- Condition: One instance was found at Worthington Elementary where the packing slip quantities agreed with the quantities ordered, but the school was billed for six additional items.
- Current Status: The Finance Officer added an item to the checklist used by the clerk assigned to “audit” bookkeepers to check samples of invoices to ensure that amount paid was clerically accurate and that packing slips and purchase orders were in agreement with quantities and amounts billed.

#### *04-13 Receipt Forms*

- Condition: Several receipts tested at both Campbell Elementary and Raceland-Worthington High School lacked supporting documentation and in some instances, were clerically inaccurate.
- Current Status: The Schools began using multiple receipt forms more consistently to better document receipts. However, several instances were noted in the 2005 audit where such forms were not dated by teachers or if dated, such dates were altered.

#### *04-14 Documenting Disbursements*

- Condition: A number of disbursements chosen for testing were not properly supported. Specifically, those items reviewed at the high school that lacked proper documentation included sporting event registrations and reimbursements to teachers.
- Current Status: The Finance Officer met with bookkeepers and advised them of the types of information deemed acceptable to document reimbursements and registrations.

### **Corrective Action Plan**

November 10, 2005

Raceland-Worthington Independent School District respectfully submits the following corrective action plan for the year ended June 30, 2005. The recommendations presented by our independent auditor, Michelle K. Carpenter, CPA are discussed below. The recommendations are numbered consistently with the numbers assigned in the management letter.

*2005-01 Recommendation:* Due to the District now processing fixed asset purchases through the computerized fixed asset system, specific procedures and standardized forms should be developed to ensure that data is processed efficiently and consistently. Such procedures and documents should provide better controls over fixed assets as well as provide more accurate fixed asset records.

*Action Taken:* Specific procedures for processing fixed assets (including donated assets) will be added to the District's purchasing procedure guide that is distributed annually to all staff. Standardized forms are in the process of being developed to ensure that data is processed efficiently and consistently.

Guidelines are being developed that will include a system for tracking numerical sequence of all asset tags, uniform use of department codes and the costs used to capitalize fixed assets. This procedure will also ensure the proper transfer to fixed asset work file from the purchase order for fixed assets ordered in quantity. General ledger reports will be compared to fixed asset reports on a monthly basis to ensure better controls over fixed assets as well as provide more accurate and complete records.

*2005-02 Recommendation:* Efforts should be made to note general ledger account coding changes on the face of the cancelled invoice packet. Such notations should be initialed by the Finance Officer to indicate approval.

*Action Taken:* The Finance Officer is the only authorized staff member to change codes after an invoice has been paid. Each invoice packet is initialed and changes noted by the Finance Officer.

*2005-03 Recommendation:* Ideally, employees should record their time spent working on individual grants. This procedure will provide better documentation for salaries charged to grant programs.

*Action Taken:* Employees partially paid with grant funds have been directed to record on each time sheet the amount of the time spent on grant activities.

*2005-04 Recommendation:* School activity funds should make efforts to obtain signatures on receiving reports and vendor standard invoices before payment is rendered.

*Action Taken:* School bookkeepers have been directed to obtain all signatures and receiving verification prior to issuing payments.

*2005-05 Recommendation:* Teachers and sponsors must consistently utilize multiple receipt forms or pre-numbered receipts when collecting money. These receipt forms must then be provided to the school secretary on a timely basis to properly document cash receipts collected from students and to safeguard cash.

*Action Taken:* School bookkeepers have been directed to instruct staff to utilize multiple receipt forms on a daily basis. Documentation of non-compliance by any staff is to be submitted to the Principal for action.

If the Commonwealth of Kentucky, Department of Education has questions regarding this plan, please contact the undersigned at (606) 836-7218.

Respectfully yours,

Mary Fields,  
Finance Officer

